

SECURIT

MISSION

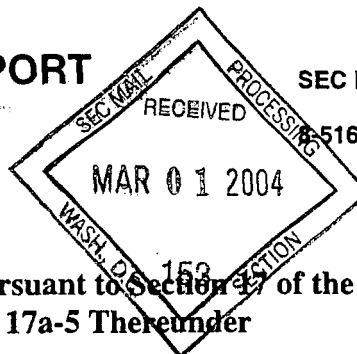


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3-25-2004ANNUAL AUDITED REPORT  
FORM X -17a-5  
PART III

SEC FILE NUMBER

51684



FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Frost Securities, Inc.

OFFICE USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2727 North Harwood

Suite 1000

(No. and Street)

Dallas

Texas

75201

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Patrick Muras

210-220-5880

(Area Code - Telephone No.)

## B. ACCOUNT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst &amp; Young LLP

(Name - if individual, state last, first, middle name)

1900 Frost Bank Tower

San Antonio

Texas

78205

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Independent Auditor  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED  
MAR 29 2004  
THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

\_\_\_\_\_

Paul J. Kelly



**Title**

**Notary Public**

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income.
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A or Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal accounting control.
- ☐ (p) Schedule of segregation requirements and funds in segregation – customers' regulated commodity futures account pursuant to Rule 171-5

***\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).***

Frost Securities, Inc.

Financial Statements  
and Supplemental Schedules

Year Ended December 31, 2003

**Contents**

Report of Independent Auditors .....	1
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Financial Statements:

Statement of Financial Condition .....	2
Statement of Operations .....	3
Statement of Stockholder's Equity .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6

Supplemental Schedules:

Schedule I – Computation of Net Capital Under Rule 15c3-1 .....	12
Schedule II – Computation for Determination of the Reserve Requirements Under Rule 15c3-3 .....	13
Schedule III – Information Relating to the Possession or Control Requirements Under Rule 15c3-3 .....	14

Report of Independent Auditors on Internal Accounting Control Pursuant to Rule 17a-5 .....	15
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Frost Securities, Inc.

Statement of Financial Condition

December 31, 2003

**Assets**

Cash and cash equivalents	\$ 1,919,064
Receivable from National Association of Securities Dealers	9,628
Premises and equipment, net of accumulated depreciation of \$334,965	336,863
Investment in limited partnership	199,003
Investment in private placement of common stock	65,000
Deferred taxes	14,146
Prepays and other assets	78,920

Total assets	<u>\$ 2,622,624</u>
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**Liabilities and Stockholder's Equity**

**Liabilities:**

Accrued payroll and incentives	\$ 257,785
Other accrued expenses	208,282
Reserves for employee benefit plans	66,348
Accounts payable to parent company related to federal income taxes	165,499

Total liabilities	<u>697,914</u>
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**Stockholder's equity:**

Common stock, par value \$0.01 per share; 100 shares authorized, issued and outstanding	1
Additional paid-in capital	18,185,012
Retained earnings (deficit)	(16,260,303)
Total stockholder's equity	<u>1,924,710</u>

Total liabilities and stockholder's equity	<u>\$ 2,622,624</u>
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*See accompanying notes.*